

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

January 18, 2005

The Capital Projects and Bond Oversight Committee met on Tuesday, January 18, 2005, at 12 noon, in Room 129 of the Capitol Annex. Senator Robert (Bob) Leeper, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert (Bob) Leeper, Co-Chair; Senators Tom Jensen and Jerry Rhoads; and Representatives Mike Denham and Jim Wayne.

Guests testifying before the Committee: Bill Hintze, Governor's Office for Policy and Management; Jim Abbott and Steve Biven, Finance and Administration Cabinet; Sandy Williams, Kentucky Infrastructure Authority; and Buddy Bell and Tom Howard, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, Bart Hardin, and Shawn Bowen.

Senator Leeper welcomed to the Committee two new members, Senator Tom Jensen and Representative Mike Denham. He said since the Committee's House Co-Chair, Representative Jodie Haydon, retired from the General Assembly last month, a new House Co-Chair would be elected today. He asked Ms. Mary Lynn Collins, Committee Staff Administrator, to chair the election process for a new House Co-Chair.

Ms. Collins opened the floor for nominations for Committee Co-Chair. Representative Wayne nominated Representative Mike Denham to serve as Committee Co-Chair. The nomination was seconded.

Representative Wayne made a motion that the nominations be closed and that Representative Denham be elected as Committee Co-Chair by acclamation. The motion was seconded, and Representative Denham was elected by acclamation.

Representative Denham thanked the Committee. He said he looked forward to working with the Committee members and staff.

Representative Wayne made a motion to approve the minutes of the December 21, 2004 meeting as submitted. The motion was seconded and passed by voice vote.

Senator Leeper called on Ms. Collins to review correspondence and information items. Ms. Collins said members' folders contained a letter from the Committee to the Council on Postsecondary Education relating to the lease audit program for postsecondary institutions, various quarterly construction reports, the Kentucky Lottery Corporation's monthly financial report for November 2004, and a staff update on various capital projects. She noted that staff was working with agencies that submit quarterly reports on changes to the format to improve the quality of these reports.

Ms. Collins then presented an information item from the University of Kentucky (UK). She said the University has indicated they plan to use the Design-Build Construction Delivery method for the Football Practice Field Renovation project at the Nutter Training Center.

Ms. Collins noted that at the Committee's December meeting, an unbudgeted project to perform some work at Bluegrass Station was presented to the Committee for approval. The Department of Military Affairs leases space at Bluegrass Station to other government agencies and civilian businesses. The Department has asked the Finance Cabinet for emergency funds to repair a roof in one of the buildings at Bluegrass Station. Since the roof repair was needed so Eagle Support Services, a subcontractor for the U.S. Army, could expand. The Committee had asked that the U.S. Army be contacted to see if they would be willing to pay for a portion of the roof repair. Ms. Collins said the Finance Cabinet had made this inquiry, and the correspondence was included in members' folders. She said the Army had indicated it could not help pay for roof repairs at Bluegrass Station Building 135.

Senator Leeper then asked Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management, and Mr. James Abbott, Commissioner, Department for Facilities and Support Services, to present the Finance Cabinet's monthly report to the Committee. Mr. Hintze reported a \$34,000 federally-funded scope increase for the Department of Military Affairs Mobile Command Post project. This project was approved by the Committee at its October 2004 meeting at a scope of \$300,000. The scope increase will be used to install an enhanced electronics package that will provide greater security and communications operability.

Mr. Hintze next reported a \$413,991 scope increase for the Department of Military Affairs Runway/Taxiway/Apron Rehabilitation project at the Capital City Airport in Frankfort. This project was authorized in the 2002-04 budget at a scope of \$1,406,000. (The Department of Military Affairs administers operations at the Capital City Airport.) Mr. Hintze said this project is now a combination of two projects: the Runway/Taxiway/Apron Rehabilitation project and the Capital City Airport Runway Extension project. He said these projects have not progressed rapidly due to their dependence on federal funding; however, the federal funds are now available for much of the work previously authorized, and the state matching dollars need to be increased in

order to receive the federal funds. However, the federal funds available for the runway extension are sufficient for design only. He said the Kentucky Department of Transportation will now provide matching funds in the amount of \$43,636. The remainder of the project costs will be covered with \$1,635,355 in federal funds, and \$141,000 in Capital Construction Surplus funds. Mr. Hintze said there is a likelihood the state will receive an additional federal grant in 2005 to complete construction of the runway extension.

Senator Jensen made a motion to approve the two Department of Military Affairs projects. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote. The revised project scopes for the two projects are: Mobile Command Post - \$334,000 and Runway/Taxiway/Apron Rehabilitation - \$1,819,991.

Mr. Steve Biven, Director for the Division of Real Properties, then presented a lease modification report. Mr. Biven reported that the Cabinet for Health and Family Services, Department for Community Based Services in Clay County, is renovating its leased space to include an additional 14 staff members from the Division of Protection and Permanency (PR-3464). After the renovations are complete, there will be a total of 47 staff. The Division of Protection and Permanency's lease will be cancelled, saving the state \$23,416 in annual leasing costs. The cost of the renovations is \$13,200, and will be amortized over a six month period.

Senator Leeper asked how the Cabinet is able to accommodate 14 more people under this lease without leasing additional space. Mr. Biven said the Department for Community Based Services has 12 vacant offices, and there is enough existing space that can be modified to create room for the additional staff.

Senator Rhoads asked if there were any costs associated with the cancellation of lease PR-3463. Mr. Biven said there were no costs associated with cancellation of this lease. He explained that the state has a standard 30-day cancellation notice for all of its leases.

Representative Wayne made a motion to approve the lease modification project. The motion was seconded by Senator Jensen and passed by unanimous roll call vote.

Ms. Sandy Williams, Kentucky Infrastructure Authority (KIA), next reported two new KIA loan requests. The first was a request to refinance a Fund B loan for the City of Newport and a request for a \$600,000 loan increase. Ms. Williams said the existing loan had a 20-year amortization period, an interest rate of 5.25%, and a balloon payment due in the year 2015. The City of Newport is also requesting refinancing of its original loan. The refinancing terms would include an interest rate of 1.4% with a 20 year amortization period, and no balloon payment. The \$600,000 is being requested in order to make additional improvements.

The second loan request was a Fund C loan in the amount of \$317,000 for the Johnson County Fiscal Court. The proceeds will be used to provide water service to 22 unserved homes in Johnson County.

Senator Rhoads made a motion to approve the Fund B and Fund C loans. The motion was seconded by Representative Wayne and passed by unanimous roll call vote.

Senator Leeper said included in members' folders was a report from KIA regarding a Tobacco Development Grant for Cadiz-Trigg County Regional Water Commission. No further action was required on this project.

The next report was provided by Mr. Tom Howard, Deputy Executive Director, Office of Financial Management (OFM). Mr. Howard introduced Mr. Buddy Bell, the new Executive Director for OFM. Senator Leeper and Representative Wayne welcomed Mr. Bell before the Committee, and said they look forward to working with him.

Mr. Howard presented one new school bond issue with School Facilities Construction Commission (SFCC) debt service participation for Eminence Independent School District in Henry County.

Representative Wayne made a motion to approve the school bond issue. The motion was seconded by Representative Denham and passed by unanimous roll call vote.

Senator Leeper said there were three locally-funded school bond issues submitted to the Committee for review this month: Jessamine County, Scott County, and Shelby County. He said all disclosure information has been filed, and no further action on the bond issues is required.

Senator Leeper said the Committee's next meeting is tentatively scheduled for Tuesday, February 15 at 1:00 p.m.

With there being no further business, Representative Wayne made a motion to adjourn the meeting. The motion was seconded by Senator Rhoads, and the meeting adjourned at 12:40 p.m.